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IN THE
Supreme Court of the United States

OCTOBER TERM, 1951

NO. 180

KEROTEST MANUFACTURING COMPANY,
Petitioner,
v.

C-O-TWO FIRE EQUIPMENT COMPANY, Respondent.

**PETITION FOR WRIT OF CERTIORARI TO THE
COURT OF APPEALS FOR THE THIRD CIRCUIT
AND BRIEF IN SUPPORT THEREOF.**

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*To the Honorable, the Chief Justice of the United
States and the Associate Justices of the
Supreme Court of the United States:*

This is a petition for a writ of certiorari to review a judgment of the United States Court of Appeals for the Third Circuit. A transcript of the record, including the proceedings in said court, is furnished herewith in accordance with the rules of this Court.

Jurisdiction.

This Court has jurisdiction by virtue of 28 U.S.C., Sections 1254 and 2101. The judgment sought to be reviewed was entered May 24, 1951 (R. 79).

*Summary Statement.***Summary Statement.****NATURE OF THE PROCEEDING:**

This is a civil action originating in the District Court in Delaware wherein the petitioner seeks (1) a declaratory judgment that two patents of the respondent are invalid and have not been infringed by petitioner, and (2) an injunction enjoining respondent from intimidating petitioner's customers either by charges of patent infringement or by infringement suits (R. 9a).

Certiorari is sought on a judgment (R. 79) of the Court of Appeals for the Third Circuit dated May 24, 1951 (Maris and Kalodner, JJ., dissenting), which reverses the District Court in Delaware and directs the District Court to enter an order staying petitioner's declaratory action until ten days after the final determination of an infringement action in the Seventh Circuit, in which respondent made petitioner a party after petitioner filed its declaratory action.

NARRATIVE STATEMENT:

Petitioner is a Pennsylvania corporation, having its offices at Pittsburgh, Pennsylvania (R. 5a). Respondent is a Delaware corporation, having offices at Newark, New Jersey (R. 5a).

On March 9, 1950, petitioner commenced this action in Delaware against respondent (R. 1a). The complaint stated that respondent had notified petitioner of alleged infringement of two patents (R. 6a); that petitioner had denied validity and infringement of the patents and had invited respondent to bring suit against petitioner (R. 6a); that respondent had failed to sue petitioner but had

subsequently sued two customers of petitioner for infringement of the same patents in the District Courts in Detroit and Chicago, respectively (R. 6a); and that a controversy existed between the parties for which declaratory relief was sought (R. 9a).

On March 22, 1950, respondent amended its complaint in the Chicago action to add petitioner as a party defendant (R. 12a). The amendment alleged no joint act of infringement by petitioner and its customer but merely alleged that petitioner had made and sold the accused devices to the Chicago customer; that petitioner had agreed to hold the customer harmless; that petitioner was infringing respondent's patents; and that respondent had given petitioner notice of the alleged infringement (R. 17a). On March 25, 1950, respondent moved in the Delaware court for a stay of petitioner's declaratory action (R. 1a, 10a). Petitioner opposed the motion for a stay, filed a supplemental complaint asking for preliminary and permanent injunctions against further prosecution by respondent of the Chicago action "either against [petitioner] alone, or generally, as this Court may deem just and proper" (R. 20a), and moved for such a preliminary injunction (R. 21a). By order dated April 28, 1950, respondent's motion for a stay was granted and petitioner's motion for an injunction was denied, for a 90-day period* (R. 25a).

Petitioner appealed, and on June 16, 1950 the Court of Appeals (per Maris, Kalodner and Hastie, JJ.) af-

* At that time a motion for stay by the customer was pending in the Chicago court, and also a motion by petitioner to vacate service on petitioner in the Chicago action. Both motions were later denied (R. 32a).

Summary Statement.

firmed; with an opinion noting that the 90-day period was about to expire and that at the end of that period petitioner could renew its motion without prejudice (R. 49).

Petitioner renewed its motion for a preliminary injunction, but only as to prosecution by respondent of its action in Chicago against petitioner alone (R. 28a). The District Court granted the injunction on September 5, 1950, and held that as between petitioner and respondent the Delaware action was the first filed, that the controversy between petitioner and respondent could not be better settled or the relief sought by them more expeditiously and effectively afforded in the Chicago action than in the Delaware action, and that there were no special circumstances taking the case out of the general rule that the first filed action should proceed (Opinion, R. 34a; Findings of Fact and Conclusions of Law, R. 42a; and Order, R. 46a). Respondent's renewed motion for a stay of the Delaware proceedings was denied (R. 41a, 47a).

Respondent appealed. On February 19, 1951 the Court of Appeals (per Biggs, Ch. J., and Goodrich and Kalodner, JJ.) reversed the lower court (Judgment, R. 57; Opinion, R. 53).

Petitioner asked for a rehearing (R. 60), which was granted (R. 68). The case was reheard by the Court, *en banc*, and on May 24, 1951 the Court vacated its opinion of February 19, 1951 (R. 68) but entered judgment reversing the lower court, directing that the action be stayed until ten days after determination of the Chicago action, and adding "If, however, the prosecution of the

Chicago suit be unreasonably delayed, this court "will entertain an application for a modification of the order" (Judgment, R. 79; Majority Opinion, R. 69). Certiorari is sought on that judgment.

Circuit Judges Maris and Kalodner dissented. Judge Maris filed a dissenting opinion (R. 75) noting that the majority decision had created a conflict with decisions of other circuits (R. 77).

Questions Presented.

1. May a patentee bring successive infringement actions against customers of a manufacturer without making the manufacturer a party, but prevent the manufacturer from proceeding with a declaratory action against the patentee in the Circuit where both are incorporated and have their offices, by the stratagem of making the manufacturer a party to a pending customer action in another Circuit after, and only after, the declaratory action has been instituted?

2. Should a District Court, vested with and retaining jurisdiction in a declaratory action which could be tried completely and expeditiously without the presence of any additional party, nevertheless require the plaintiff to litigate the controversy in another Circuit in an action subsequently commenced by the defendant against the plaintiff, merely because such course would permit the defendant simultaneously to litigate an independent controversy between the defendant and a third party, which presents some of the same questions but could be tried completely and expeditiously without the presence of the declaratory plaintiff?

3. Does the provision of Rule 57, Federal Rules of Civil Procedure, that the existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate, permit a court to retain jurisdiction of a declaratory action not for the purpose of advancing it to judgment and giving the plaintiff the relief prayed for, but merely as a club over the defendant to compel it to proceed to judgment with an action which it had subsequently instituted against the plaintiff?

Reasons Relied on for the Allowance of the Writ.

1. The decision of the Court of Appeals is in conflict with the following decisions in other circuits:

(a) *Cresta Blanca Wine Co., Inc. v. Eastern Wine Corporation*, 143 F. 2d 1012 (C.A. 2, 1944);

(b) *Speed Products Co. v. Tinnerman Products*, 171 F. 2d 727 (C.A.D.C., 1948);

2. The decision of the Court of Appeals is in conflict with the decision of this Court in *Memphis City v. Dean*, 8 Wall. 64.

3. Question 3, *supra*, is an important question of construction of Rule 57, Federal Rules of Civil Procedure, which has not been, but ought to be, decided by this Court.

WHEREFORE, YOUR PETITIONER PRAYS that a Writ of Certiorari be issued out of and under the seal of this Court, directed to the United States Court of Appeals for the Third Circuit, commanding the said Court to certify and send to this Court, on a day to be designated, a full transcript of the record and all proceedings of said Court in the case numbered and entitled on its docket Number 10302, *Kerotest Manufacturing Company, Plaintiff-Appellee, v. C-O-Two Fire Equipment Company, Defendant-Appellant*, to the end that this case may be reviewed and determined by this Court; that the judgment of the said Court of Appeals for the Third Circuit be reversed; and that petitioner be granted such other

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Prayer.

and further relief as to this Court may seem meet and proper.

Respectfully submitted,

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July, 1951.

**BRIEF IN SUPPORT OF PETITION FOR
WRIT OF CERTIORARI.**

Opinions Below.

The order, findings of fact and conclusions of law of the District Court filed April 21, 1950, are reported only in 85 USPQ 185 (no opinion was filed).

The opinion of the Court of Appeals filed June 16, 1950, is reported in 182 F. 2d 773.

The opinion of the District Court filed August 18, 1950, is reported in 92 F. Supp. 943.

The vacated opinion of the Court of Appeals filed February 19, 1951, is currently reported only in 88 USPQ 335.

The opinion of the Court of Appeals on rehearing filed May 24, 1951, is currently reported only in 89 USPQ 411.

Jurisdiction.

The petition sets forth at page 1 the grounds upon which jurisdiction of this Court is invoked.

Cases believed to support the jurisdiction are as follows: *Maryland Casualty Co. v. Pacific Co.*, 312 U. S. 270; *De Beers Mines v. United States*, 325 U. S. 212; *Gulf Oil Corp. v. Gilbert*, 330 U. S. 501; and *Ex parte Collett*, 337 U. S. 55.

Statement of the Case.

The petition sets forth at pages 2-6 the statement of the case and the questions presented.

*Specification of Error.***Specification of Errors.**

If the petition is granted, it will be contended that the Court of Appeals erred:

(a) In holding that respondent, who had deliberately omitted making petitioner a party to successive infringement actions brought against petitioner's customers, may nevertheless thereafter avoid a subsequent declaratory action brought by petitioner in the Circuit where petitioner and respondent are both incorporated and have their offices, by the stratagem of adding petitioner as a party to a pending customer action after, and only after, the declaratory action was begun;

(b) In holding that the District Court, vested with and retaining jurisdiction of petitioner's declaratory action against respondent, which could be tried completely and expeditiously without the presence of any additional party, should require petitioner to litigate the controversy in another Circuit in an action subsequently commenced by respondent against petitioner, merely because such course would permit respondent simultaneously to litigate a controversy between respondent and a thirty party, which presents some of the same questions but could be tried completely and expeditiously without the presence of petitioner;

(c) In retaining jurisdiction of petitioner's declaratory action not for the purpose of advancing it to judgment and giving petitioner the relief prayed for, but merely as a club over respondent to compel it to proceed to judgment with an action which it subsequently instituted against petitioner;

(d) In holding that respondent's suit should proceed and petitioner's suit should be stayed because re-

respondent's suit involved more parties than petitioner's suit, notwithstanding the independence of the controversies between the original parties to the respective suits;

(e) In holding that the District Court abused its discretion in granting petitioner's motion for a preliminary injunction and denying respondent's motion for a stay.

Argument.

I.

A patentee who wishes to enforce his patent against allegedly infringing articles has the choice of bringing an infringement suit directly against the manufacturer to stop the supply and to collect damages at the source without need for litigation against customers, or of squeezing the manufacturer by multiple suits against his customers, as in the present situation. The first course involves the least amount of litigation but the second course is often chosen by patentees, especially those having weak patents, because a pending customer suit has as bad an effect on the manufacturer's business as a suit directly against the manufacturer, and customers seldom have enough interest in the matter to exert themselves in defending such suits. Moreover, the patentee is often afraid to litigate a weak patent in the Circuit which would be the proper venue of an infringement action against the manufacturer, and can avoid this difficulty by bringing suits against customers in other Circuits. When bringing such customer suits the patentee finds it advantageous to omit the manufacturer as a party not only because the manufacturer would probably

defend the suit more vigorously than the customer but also because the patentee can continue to sue different customers in different Circuits even after losing one or more of the suits, whereas if the manufacturer is a party a decision adverse to the patentee is conclusive as to all of the manufacturer's customers thereafter; *Kessler v. Eldred*, 206 U.S. 285.

The doctrine of *Kessler v. Eldred*, *supra*, effectively stops unnecessary customer suits *after* direct litigation between the patentee and manufacturer; reversal of the instant decision of the Court of Appeals would strongly discourage unnecessary customer suits *before* direct litigation between the patentee and manufacturer, since it would have the effect of ruling that a patentee must join the manufacturer in the first customer suit or else run the risk of being sued for a declaratory judgment in an independent action by the manufacturer in a venue of the latter's choice.

No reason for joining petitioner in the customer action was offered by respondent *except* the fact that petitioner had commenced this action (R. 12a; cf: R. 39a).

To hold that the respondent is entitled to defeat petitioner's declaratory action by the stratagem of drawing the petitioner into a customer suit in another Circuit after the declaratory action has begun is to remove any risk to a patentee in pursuing a course of calculated harassment of a manufacturer by multiple suits against his customers. The decision of the Court of Appeals in the present case looks only to the immediate advantages of sweeping all of the parties into one

court and overlooks the more important ultimate effect of encouraging harassing multiple customer suits by patentees.

If the Court of Appeals' decision stands the abuse of customer suits will go unchecked and undesirable multiple litigation will be encouraged.

II.

The conflict of Circuits resulting from the instant decision of the Court of Appeals is pointed out by Judge Maris in his dissenting opinion (R. 76-77) :

- "I think it is particularly significant that in the Second Circuit in the case of *Cresta Blanca Wine Co. v. Eastern Wine Corporation*, 1944, 143 F. 2d 1012, and in the District of Columbia Circuit in the case of *Speed Products Co. v. Tinnerman Products*, 1948, 171 F. 2d 727, the rule of the *Triangle* case has been applied to facts indistinguishable in principle from those in the case now before us. The majority ask us to compare those cases with their decision here and I join in that request. For when such a comparison is made it will become plain that this court is today rejecting an application of the rule of the *Triangle* case which two other courts have heretofore made in reliance upon that decision by us."

The decisions cited by Judge Maris are in accord with the necessary and long-recognized rule that "In all cases of concurrent jurisdiction, the court which first has possession of the subject must decide it," as stated by Mr. Chief Justice Marshall in *Smith v. M'Iver*, 9 Wheat. 532; 535. This general rule is modified in special cases by the doctrine of *forum non conveniens*,

and within the last few years by the transfer provisions of 28 U.S.C. §1404(a), subject to the caution of this Court that "unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed"; *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508. However, there is no suggestion in the action at bar that there is any basis for invoking either of these exceptions to the general rule. Instead the Court of Appeals has directed a stay of petitioner's declaratory action solely as an exercise of discretion under the Declaratory Judgment Act (28 U.S.C. §§2201-2202) (cf. R. 74), overruling the contrary exercise of such discretion by the District Court. In doing so the majority opinion of the Court of Appeals takes two inconsistent positions:

(a) That irrespective of which suit was "'previously' or 'subsequently' begun between the parties" (R. 74), the additional presence of the third party in the infringement action in Chicago is an overriding reason for allowing that action to proceed and for staying petitioner's declaratory action in Delaware; and

(b). That since respondent had sued the third party in Chicago *before* petitioner brought the declaratory action in Delaware against respondent, the Chicago action was entitled to priority as the "first action" (R. 73) for purposes of priority as to all parties, including petitioner, who was added to the Chicago action only after commencing the Delaware action.*

* The majority opinion of the Court of Appeals takes the latter position in order to distinguish rather than overrule the earlier decision of that court in *Triangle Conduit & Cable Co., Inc. v. National Electric Products Corporation*, 125 F. 2d 1008, where an apposite conclu-

The facts of *Cresta Blanca Wine Co. v. Eastern Wine Corporation, supra*, and the conflict between the decision therein and the majority decision in the case at bar are so clearly stated by Judge Maris (R. 77) that only brief additional comment is necessary here.

The decision in *Cresta Blanca v. Eastern* is doubly in conflict with the decision of the Court of Appeals in the present case as to bringing independent controversies involving some common questions into one court, since in that case the Court of Appeals for the Second Circuit not only affirmed the issuance of an injunction against further proceedings against Cresta in Delaware, where Cresta, Eastern and the distributor were all parties to pending actions, but also refused to let the distributor intervene in New York so that all three parties could litigate there.

The conflict also extends to what constitutes the "first action" (cf. R. 73) for purposes of priority, since if the reasoning of the majority opinion of the Court of Appeals in the instant case had been applied the distributor would have been entitled to intervene on the ground that because the New York action of Cresta against Eastern preceded the Delaware actions of Eastern against Cresta and the distributor, the New York action should take priority over the Delaware action even as regards the distributor, although the distributor

sion was reached on the basis of facts essentially identical except that the action against the third party was instituted after rather than before the declaratory action began. The *Triangle* case is summarized and compared in the District Court opinion (R. 37a-39a).

did not attempt to become a party to the New York action until after the distributor had first been sued in Delaware.

We refer to the opinion of Judge Maris (R. 77-8) for a statement of the facts of *Speed Products Co. v. Tinnerman Products*, *supra*, and the conflict between it and the majority decision in the case at bar. In addition, we note that the Court of Appeals also said in *Speed Products Co. v. Tinnerman Products* (p. 731):

"It may be urged that to set aside the injunction and thus permit the action in the New York court to proceed first is to legitimize the bringing of two suits by a plaintiff against the same defendant on the same cause of action in two different jurisdictions at substantially the same time and that such duplication with consequent burden to the courts should not be permitted. The answer to this is that Speed Products brought no action against Tinnerman in the District of Columbia court, but only in the New York court. It had a right to sue Tinnerman in New York if it saw fit to do so."

The decision in *Speed Products v. Tinnerman* is in direct conflict with the rule of the Court of Appeals in the present case regarding bringing different controversies involving some of the same questions before one court, since this rule would have required the controversy between Speed and Tinnerman to be litigated in the District of Columbia, where the Commissioner was a party, rather than in New York, where he was not.

Moreover, if the rule of the Court of Appeals in the present case as to what constitutes the "first action"

(cf. R. 73) for purposes of priority had been applied, Tinnerman would have been entitled to litigate in the District of Columbia because Speed sued the Commissioner there before he sued Tinnerman in New York.

The majority opinion of the Court of Appeals in the instant case vaguely cites but does not discuss the *Cresta Blanca v. Eastern* and *Speed Products v. Tinnerman* decisions. It relies instead on *Hammett v. Warner Brothers Pictures*, 176 F. 2d 145 (C.A. 2), which is stated in the majority opinion to be "closer perhaps on its facts to the case at bar than any other reported decision" (R. 74).^{*} The distinction between the instant case and the situation in the *Hammett* case, however, is clearly expressed in the majority opinion on appeal in that case, where it is pointed out that the New York action should be dismissed in favor of the California action because of the inadequacy of the New York action to effect a complete settlement even as to the parties to that action, " * * * in contrast to the situation in the more usual patent and insurance cases where the issues of infringement and validity of a patent and of liability and coverage are usually clearly separable" (p. 150). In the *Hammett* case Warner Brothers brought a copyright infringement and unfair competition action against a number of parties. Hammett, who had not been joined in the original California action, subsequently brought a declaratory action in New York against Warner Brothers, raising the issue between them of ownership of the copyrights in the California action. Thereafter Warner

^{*} The *Hammett* decision was cited to the Court of Appeals before it rendered its opinion of June 16, 1950, where the *Hammett* decision is not mentioned (R. 49). The opinion of Judge Maris discusses and distinguishes the *Hammett* case at R. 78.

Brothers joined Hammett as a party-defendant to the California action, raising for the first time the issue of the extent of Hammett's participation in the alleged infringement of the copyrights. The New York action could not be amended to include the latter issue without conflicting with the priority of the California action as to that issue between the same parties, and without including that issue the New York action could not afford a complete settlement of all pending issues between the parties to that action. In the present case, on the other hand, petitioner's Delaware action is the first-filed action as to all of the issues between petitioner and respondent which have been raised in any pending action, and all of these issues between petitioner and respondent can be completely settled in the Delaware action, independently of respondent's pending Chicago action against another party.

The majority opinion also contains the statement that "Kerotest* pointed out that the Chicago litigation . . . involved *the same controversy* as the suit at bar, viz., the same patents and the same infringing devices, even if the parties were not the same" (R. 70; emphasis supplied). This is a contradiction in terms, since in a legal sense a controversy necessarily involves parties as well as subject matter; *Smith v. Adams*, 130 U. S. 167, 173-4; *Interstate Commerce Comm. v. Brimson*, 154 U. S. 447, 488; *Muskrat v. United States*, 219 U. S. 346, 361; *Fidelity Nat. Bank v. Swope*, 274 U. S. 123, 134.

* It was C-O-Two (respondent), not Kerotest (petitioner), which made the assertion in question.

III.

The holding of the Court of Appeals in the present case that a defendant can force a plaintiff into another court by the device of making the plaintiff a party to another suit which raises identical issues between the parties to the original suit but also involves a third party, is contrary to the decision of this Court in *Memphis City v. Dean*, 8 Wall. 64, where it was held that a question which is pending in one court of competent jurisdiction cannot be raised and agitated in another by adding a new party in the other jurisdiction and raising a new question as to him along with the old question as to the former party.

In the *Memphis City* case a gas company had brought suit against another gas company regarding their respective rights to operate in a city, and a stockholder of the first company thereafter began a second suit on behalf of the first company against the second company and also against the city itself, for breach of contract. The second suit was dismissed notwithstanding the stockholder's objections that his suit should proceed in preference to the first suit in view of the additional presence of the city in his suit. An opposite conclusion would result from the reasoning of the majority opinion of the Court of Appeals in the instant case, that regardless of which suit is previously or subsequently begun between the parties (R. 74), the suit which ultimately involves the most parties should proceed.

It is submitted that the rule of *Memphis City v. Dean* applies regardless of whether one of the actions is for a declaratory judgment, in view of the provision of Rule

57 of the Rules of Civil Procedure which is quoted in the next section hereof.

IV.

The decision of the Court of Appeals recognizes that the declaratory action at bar is well founded by directing that jurisdiction be retained, but stays it because of the existence of a remedy in a proceeding in another court (R. 79), contrary to the following provision of Rule 57 of the Rules of Civil Procedure:

"The existence of another adequate remedy does not preclude a *judgment* for declaratory relief in cases where it is appropriate." (Emphasis supplied.)

This provision of Rule 57 is directly applicable to the present case because the controversy between petitioner and respondent could not be settled any more completely or expeditiously in respondent's infringement action than in petitioner's declaratory action (R. 45a), and hence the infringement action is merely "another adequate remedy" and no more. If there were valid reasons of greater convenience of witnesses and parties which would justify staying petitioner's declaratory action, respondent could have dealt directly with the problem of venue by requesting a transfer pursuant to the provisions of 28 U.S.C. §1404(a), which stem from the common law doctrine of *forum non conveniens*; *Ex parte Collett*, 337 U.S. 55, 58. Respondent did not do so, since the criteria for invoking the transfer act or the predecessor doctrine of *forum non conveniens* are not present in this case; *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508-509.

There is no basis for staying petitioner's declaratory action, therefore, unless the discretionary provisions of the Declaratory Judgment Act permit a court to preclude a judgment for declaratory relief in a case where it is appropriate because of the existence of another adequate remedy. The decision of the Court of Appeals necessarily rests on this assumption and thereby conflicts with the above-quoted provision of Rule 57 of the Rules of Civil Procedure. The fact that the other adequate remedy is in the form of another pending suit does not alter this conclusion; see *Employers' Liability Assur. Corporation v. Ryan*, 109 F.2d 690,* in which the Court of Appeals for the Sixth Circuit held (at p. 691):

"The presently prevailing view seems to be that the Declaratory Judgment Act furnishes an additional remedy which is not to be denied the plaintiff because of the pendency of another suit, a concept which, as noted by us in *E. W. Bliss Co. v. Cold Metal Process Co.*, 6 Cir., 102 F. 2d 105, has been crystallized by the Rules of Civil Procedure for the District Courts of the United States, in Rule 57, 28 U.S.C.A. following section 723c, which provides 'The existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate.' "

* Certiorari granted 310 U.S. 621; dismissed on stipulation 311 U.S. 722; cited as to conflict of Circuits in *Maryland Casualty v. Pacific Co.*, 312 U.S. 270, 272. The holding in the latter case is consistent with the holding in the quoted *Employers' Liability* case.

V.

In view of the conflict with this Court and with other Circuits, the importance of the questions presented, and the prejudice to the public and the encouragement of undesirable multiple customer suits in patent litigation if the judgment of the Court of Appeals is permitted to stand, it is submitted that certiorari should be granted.

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